

Wage Thefts:

H&M, Primark and Sears' Conscious and Continuous Exploitation of Workers in China

How H&M, Primark and Sears Systematically Steal Wages from Workers in China and

How Unethical Consultancies Like Level Works and Infact, or Elevate Instigate Brands and Retailers to Become Wage Thieves

2013 April

In recent years, it has become very trendy for brands and retailers to say they support “continuous improvement” in factories they work with. At first glance, “continuous improvement” may suggest that retailers are willing to understand the challenges faced by their suppliers and to provide the support needed to induce the necessary changes. The reality, however, is a sustained exploitation of workers to enable retailers to continue to source cheap by buying from factories which do not provide basic entitlements to workers.

Through interviews with suppliers of some retailers including H&M, Primark and Sears, it is clear what these retailers call “continuous improvement” is actually a masqueraded version of continuous exploitation in reality and these companies all run wage-stealing programs formally. Some companies work with corporate social responsibility consultancies like Level Works or Infact (the two recently merged to form a new company called “Elevate”) which advise these companies to work with factories which do not pay legal wages under the pretext of continuous improvement and, rather than requiring legal wages be paid to workers immediately, retailers can pay them consultancy fees to monitor the continuous exploitation process.

This so-called “continuous improvement” approach requires factories to provide their real underpayment and excessive working hours situation to the brands and retailers who would continue to buy from these factories as the latter should make incremental improvement over an indefinite period of time towards compliance – and there might not be an agreed timeframe for factories to meet legal minimum requirements.

We question the purpose of brands and retailers gathering the data. Brands and retailers gather the data of their suppliers' illegal wage payment and excessive working hours situation to track the production cost and production capacity of their supplier base and this illegal non-compliance database can enable them to squeeze factories even more to drive prices further down and shorten their lead time even more at the expense of workers' legal entitlement to be paid proper wages and have proper rest.

We demand H&M, Primark and Sears, as well as all brands and retailers, to immediately

- be transparent about their exploitative approaches, and publicize the list of factories they are working with not paying legal minimum or overtime wages
- stop stealing wages from workers in China or other countries and back pay all the stolen wages to workers
- terminate working relationship with unscrupulous consultancies like Level Works, INFAC, or Elevate, or any similar consultancies, who profit from instigating companies to steal wages from workers

Appendix –

1. Evidence of H&M's conscious exploitation of workers in China
 - H&M's communication (in Chinese) to their suppliers on "Wage and OverTime Analysis" to collect data regarding excessive working hours, percentage of workers not paid legal wages and overtime wages. It clearly shows how H&M has been tracking the illegal underpayment situation in its supplier factories, and consciously buys from factories which can sell cheap because they do not pay even legal minimum wages or overtime wages.
2. Evidence of Primark's game-changing exploitation of workers in China
 - Primark's communication to their suppliers on audit requirement with emphasis on understanding of longer time needed to have wage and hours compliance (in Chinese), suggesting they accept underpayment and excessive hours in factories.
3. Evidence of Sears' deliberate exploitation of workers in China
 - Sears' official document on Wage Research and Improvement Program (in Chinese and English). The document clearly states that factories which cannot pay legal minimum wages should join this program and provide true underpayment situation to Sears.
4. Evidence of INFAC Instigating its clients to work with factories not paying legal wages
 - INFAC's presentation on Capacity Building and Continuous Improvement. The slides clearly show their approach to facilitate an agreement between brands and factories on flexibility on wages and to gather data of underpayment and make gradual improvement with reaching legal standards as the final stage.
5. Evidence of Level Works Instigating its clients to work with factories not paying legal wages
 - Level Works' presentation which states that it is unrealistic to expect factories to pay all workers legal minimum wages immediately and that this only drives factories to falsify records, and therefore brands and retailers should be allow factories to have "continuous improvement" and the benefits would be better relationship between brands and factories, and more orders.

The Truth of H&M – Conscious Actions to Exploit Workers

H&M is the second largest global clothing retailer. According to its company website, it has 2800 stores in more than 40 countries and employs 104,000 staff. On the Forbes lists, it is rated the world's 42nd most powerful brand in 2012 and its chairman, Stefan Persson, is rated in 2013 not only the richest man in Sweden but also the 12th richest man in the world. Part of the wealth is accumulated through conscious exploitation of workers in China making its products.

In 2013 March, H&M released its latest sustainability report titled "Conscious Actions". The report recognized that working hours and wages in their supplier factories are some of the biggest challenges H&M is facing. H&M is definitely conscious of these working conditions and in the report even stated that they have started to promote higher wages for garment workers across the industry. However, what really happens is that the company actually consciously works with many factories which work excessive hours to over 360 or more hours every month and underpay workers what they should be entitled to legally.



According to a few H&M's suppliers we interviewed with, it is common knowledge in the industry that it is acceptable to H&M for factories do not pay legal wages to workers and do not even allow one day off in a month to workers, as long as factories commit to "continuous improvement".


In 2009, H&M launched a program to formally allow underpayment of illegal wages and excessively working hours for factories in China. H&M told their suppliers that they understand that most of the factories they work with are not paying legal minimum wages or overtime wages, and that they understand that it is a reality that workers work excessive hours, and therefore they understand that to ask factories to meet legal requirements would be only forcing factories to falsify records. H&M has hundreds of supplier factories in China and H&M's suppliers said that from the price H&M is paying them, and from what they learn from other H&M suppliers, it is likely that most of their supplier factories in China could not meet legal wage and hours requirements.

Since 2009 June, H&M started to require their supplier factories to fill in a "WOTA" (Wage and Over Time Analysis) form every month to report their actual wage and working hours situation. H&M WOTA staff would then review the situation and track the key performance indicators (KPIs) of average overtime hours per month, percentage of workers not paid legal compensation, and percentage of workers not paid minimum wages.

The following are taken from a presentation H&M shown to its suppliers to coach them how to report their wage and hours situations to H&M WOTA specialist every month. The graphs are show how H&M is tracking the hours situation in factories (overtime hours over 140 hours a month, whereas the legal overtime hours in China is 36 hours a month), and that workers not paid legal compensation can be up to 90% of the workforce, and workers not paid even the minimum wage can be nearly 60% of the workforce.

■ WOTA数据发送

- 每个工厂和供应商都应指定一个专员负责此项目。我们收集的数据从2009年6月开始，由工厂的WOTA专员发送给供应商（如适用）的WOTA专员，经供应商审阅后再发送到 michelle.yu@hm.com
- 每隔一个月的15号为数据发送期限，即2009年11月的数据应在2010年01月15日前发送至H&M。2009年6月-11月的数据请尽量在2010年01月15日前发送。
- 发送邮件时,邮件题目及附件都应命名清楚并一致。包括供应商及工厂名字工资工时月份，最好用英文。i.e. xxcompany. xxfactory. Dec 2009 WOTA data.



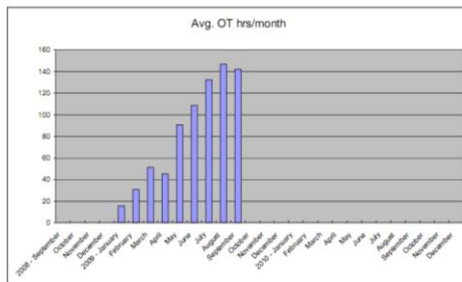
Key Performance Indicators (KPI's)
主要绩效指标

- 1. Avg OT hrs/month
每月平均加班小时数
- 6b. Not paid Legal Comp. (%)
未达到法定要求报酬的工人比例
- 7b. Not paid Hourly Min. Wage (%)
未达到小时最低工资的工人比例

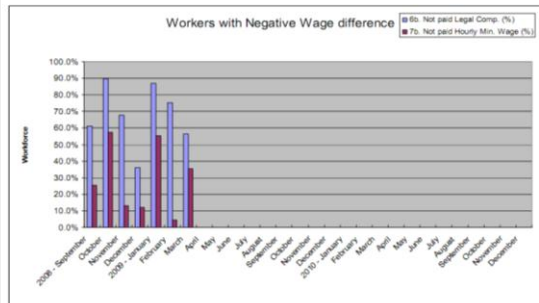
Our analysis
of the data you
send to us.
我们对你们发
送的工资工时
数据进行分析



1. Avg OT hrs/month
每月平均加班小时数



6b. Not paid Legal Comp. (%) 未达到法定要求报酬的工人比例
7b. Not paid Hourly Min. Wage (%) 未达到小时最低工资的工人比例



Factories are requested to make “continuous improvement” to reduce working hours and increase the percentage of workers who are paid minimum wages. H&M told their suppliers that they support “continuous improvement” and that they trust that factories will improve gradually and eventually towards full legal compliance. There is no fixed timeline to reach legal compliance. According to an H&M supplier we interviewed who wish to remain anonymous, they have been supplying to H&M for 4 years now and still most of their workers are not paid minimum wages and H&M still continues to buy from them. Suppliers believed that.

According to the supplier, “H&M buys cheap, they need us to sell cheap to them, and it is a reality that they must work with factories which do not pay legal minimum or overtime wages to workers. Our price is cheap. H&M requires us to report to them our wage data to them every month, they know very clearly our production costs, and they can better squeeze us for cheaper prices. We have to give them cheap prices.”

The Truth of Primark – Game Changer: Change Rules of Fair Play to Foul Play

As of February 2013, Primark has a total of 257 stores in the world, and most of them are in the UK and Ireland. In spite of the economic gloom in 2012, Primark’s profits continued to soar up 15% to GBP3.5 million, and contributed to 17% of the profits of its parent company Associated British Foods.

Primark had a very poor track record in ethical trading with suppliers caught using illegal migrant workers who were paid just half of the legal minimum wages, and other allegations of use of child labour. Primark joined the Ethical Trading Initiative in 2006 and has then conducted several worker education projects. In 2012 December, Primark’s Director of Ethical Trade, Katherine Kirk, was granted a Game Changer Award by the Business in the Community for raising the standards and achieving a lasting impact in ethical sourcing.

What part of the game has Primark changed and how does it relate to Primark’s huge profit increase?

Interviews with suppliers of Primark shed lights on the question.

Although Primark joined the Ethical Trading Initiative (ETI) in 2006 and thereby committed to abide with the ETI Base Code which has a core principle of ensuring that workers are paid living wages, in reality, Primark could not care less. In reality, Primark only requires factories to pay minimum wages and would not require factories to pay legal overtime wages to workers. Therefore, due to the very low wages, workers will have to work more hours to make ends meet, and regardless of the level of hours the work, it does not matter to Primark whether workers are paid legal overtime wages.

In 2009, Primark started its so-called “Towards a Living Wage” Project in China. It claimed that the project was aimed to increasing wages of workers through addressing productivity and other management systems. Primark worked with a consultancy called INFACT Global Partners on this project. According to Ian Spaulding, the founder of INFACT, who was quoted on Primark’s website -

“The manufacturing environment in China is very different from most other countries. A massive migrant workforce creates unique dynamics that are not replicated in countries such as Vietnam, Cambodia, Indonesia or India.

Addressing the commonly known compliance challenges of excessive working hours and underpayment of wages is something that most companies with CSR programs continue to struggle with. The degree of falsified records by factories interested to hide the working hours or the underpayment of wages is depressing.

However, a tide is changing among brands and retailers with how they approach factories in China. There is a great deal more openness for capacity building and support of factories interested to improve. Further, China is changing at the same time. Workers are demanding more of their legal rights as a labour shortage raises up wages and improves working conditions.”

From Primark's ethical trading webpage -

PENNEYS ETHICAL TRADING

Country: Ireland

Home | How We Work | Our Work Standards | Environmental Sustainability | News & FAQ | Schools & Colleges | Reporting & Assurance

Case Studies

- Water Empowerment
- Women's health
- Managing Labour Shortages
- Towards a Living Wage
- Better Rights for Women Workers
- Education for Women
- Basic Accounts for Workers
- Supporting Home-based Workers
- Resolving our Clothing
- Reducing Waste from Our Stores
- Reducing Energy in Our Stores
- The Schools Project

Towards a living wage

In 2009 we embarked on an ambitious long-term programme to create sustainable improvements in labour standards in our supply chain in China. Our key aim was to improve the lives of workers in their production and management techniques and encouraging them to align worker's pay with productivity improvements to reach a living wage, which is enough to meet the basic needs of an adult and their family dependents, plus some discretionary income. This programme takes us beyond the scope of our audit and compliance programme, and looks at the entire operations of a factory from top to bottom.

In order to ensure that our programme has lasting benefits, we chose to work with local partners who have great expertise and understand local market conditions. While one of these local partners focuses on productivity and work organisation, the other is training workers and management on improved wage negotiation techniques. We have also hired our own industrial management and productivity experts to help ensure we embed the learnings within our teams, thereby enabling us to share them fully with all our factories and suppliers.

We worked closely with Penneys' buying teams to select a range of factories and suppliers to pilot our programme. We chose factories both in the developed industrial south, and in the north of China, and factories producing clothing, accessories, and footwear to test our programme on different types and methods of production.

Overarching aims

- Find ways to increase wages for workers
- Deliver productivity benefits to the factory to cover any increased costs
- Create long-term improvements in labour standards

Specific objectives

- Increase production efficiency
- Reduce re-work rate
- Reduce reject rate
- Increase energy use per hour
- Increase worker satisfaction/commitment
- Increase worker promotion opportunities
- Reduce worker turnover
- Reduce worker absenteeism
- Reduce working hours
- Improve performance in other labour practices

INFACIT

时 候 来 临 学 习

"A tide is changing among brands and retailers with how they approach factories in China. There is a great deal more openness for capacity building and support of factories interested to improve" - Ian Spaulding, founder of INFACIT Global Partners

Why China?

"The manufacturing environment in China is very different from most other countries. A massive migrant workforce creates unique dynamics that are not replicated in countries such as Vietnam, Cambodia, Indonesia or India.

Addressing the commonly known compliance challenges of excessive working hours and underpayment of wages is something that most companies with CSR programs continue to struggle with. The degree of failed records by factories interested to hide the working hours or the underpayment of wages is depressing. However, a tide is changing among brands and retailers with how their approach factories in China. There is a great deal more openness for capacity building and support of factories interested to improve. Further, China is changing at the same time. Workers are demanding more of their legal rights as a labour shortage raises up wages and improves working conditions.

Since the project's inception, progress in improving productivity has been encouraging. In one instance, a factory was struggling to meet output targets without exceeding legal wage and hours requirements. With analysis, it was found that the root cause was an unmanaged ramp up process for new employees.

INFACIT's production expert helped the factory monitor the learning curves for each new employee and adjust sewing machine speeds upward as their skill improved. This realistic approach to a basic issue has already yielded results which are helping with the change most critical for long term success, the mind-set of factory management."

Our partners

INFACIT Global Partners are experts in providing pragmatic and technical compliance, operational, and productivity solutions to help implement effective change in factories in China.

Timeline Consultancy was established in 2001 in China and provides expertise on human resources management and labour relations, focusing on capacity building for innovation and solutions to business and social challenges.

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What is the changing tide mentioned in the above by Ian Spaulding of INFACIT or what is the changing game that Katherine Kirk of Primark was awarded for? The answer is obvious – the game is foul play not fair play.

Primark is leading the game with other retailers like H&M not to require legal wages to be paid to workers.

The following is Primark's document given to its suppliers explaining its audit requirements. It clearly stated that "Primark understands that some non-compliances like wages and working hours will take time to correct. Primark will rate the factory positively if factories are transparent with its wage and working hours situation and is committed to continuous improvement. However, according to Primark's suppliers, legal overtime wages is not required by Primark and is not even part of the "continuous improvement" plan.

中国（新供应商/工厂流程）

您已经被审核下一步呢？

PRIMARK PENNEYS

审核流程

审核前

- 工厂完成新供应商/工厂评估表
- Primark安排工厂审核
- 审核员联系您的工厂和供应商安排审核的窗口时间/日期

审核

- 审核员根据 Primark 供应商行为守则审核员进行验厂
- 工厂同意整改计划(CAP)和不符合项(NCs)的整改时间表

审核后下一步

- 工厂开始整改
- 审核员将整改计划和审核报告发给 Primark
- Primark 根据发现的问题对工厂分级，之后向工厂和供应商发出审核结果信函

红色 - 极严重 - 危及生命和/或极端严重的不符合项

- 整改有赖批准使用
- 工厂必须立即纠正高风险问题
- 英国的高级道德贸易经理，中国的道德贸易经理和采购总监将与工厂和供应商联系进行讨论
- Primark 不会容忍恶劣的工厂条件

红色 - 很严重的不符合项和/或非常多的不符合项

- 整改有赖批准使用
- 首先，工厂必须重点改正高风险的不符合项，并且鼓励工厂与中国的道德贸易经理合作，对主要的不符合项制定整改计划
- 英国的高级道德贸易经理，中国的道德贸易经理和采购总监将与工厂的供应商联系进行讨论

橙色 - 好工厂，制定了大部分的政策和制度以保护工人

- 整改批准使用
- 工厂必须改正存在的主要和次要问题
- 在适当的时间段内，将安排跟进审核确认不符合项已经整改并且优良的工作环境得以持续

绿色 - 优秀工厂，制定了好的政策和制度以保护工人

- 整改批准使用
- 工厂必须改正存在的一些次要问题
- 在适当的时间段内，将安排跟进审核确认不符合项已经整改并且优良的工作环境得以持续

不一致的记录

- Primark 坚持要看到准确的工时和工资记录，这会在对工厂评级中予以优先反映
- 如果在审核中发现不一致的或造假的工时和工资记录，这将自动导致工厂的评级为红色
- Primark 理解一些不符项，特别是工时和工资，需要时间改善
- 工厂如果表现出对工时和工资的透明并致力于持续改进，这会在评级中予以正面反映

行贿

- Primark 对行贿决不容忍
- Primark 建立了警报系统打击工厂的行贿
- 如果审核员索要“好处”，请与 Primark 的资深道德贸易经理 (bee.ong@abfchina.com) 和英国的道德贸易小组联系 (ethicalteam@primark.co.uk)。

有关道德贸易问题和 PRIMARK 道德贸易政策，如需协助，请联系如下人员：

• Mr. William Chen Primark 中国道德贸易经理 WilliamChen@abfchina.com 电话: +86 1376 4880 130	• Ms. Bee Ong Primark 资深道德贸易经理 bee.ong@abfchina.com
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Primark 十分重视道德贸易政策。作为重要的商业伙伴，我们希望您能主动的改善工厂环境。谢谢您的合作

Primark's suppliers we interviewed but wish to remain anonymous revealed that Primark never requires them to pay legal overtime wages to workers, although Primark does require minimum wages. However since the suppliers we interviewed said that they all pay minimum wages but not overtime wages, it is not clear to them if Primark will terminate relationship with suppliers who fail to pay minimum wages.

When asked what they feel about Primark not requiring legal overtime wages, one supplier said "Primark wants us to give them minimum prices, why would they require us to pay overtime wages?"

Primark's living wage project is therefore a joke. How can Primark talk about living wages when they do not even require factories to comply with legal minimum standard of paying overtime wages?

The Truth of Sears – Stealing Wage in the name of “Research” and “Continuous Improvement”

Compared with H&M and Primark, Sears has been a pioneer when it comes to making stealing wage from workers a formal policy.

Sears formally launched its Wage Research and Improvement Program (WRIP) in 2004, and ever since then, it has been a formally adopted approach of Sears to exploit workers in China regardless of the various wage protection laws in China.

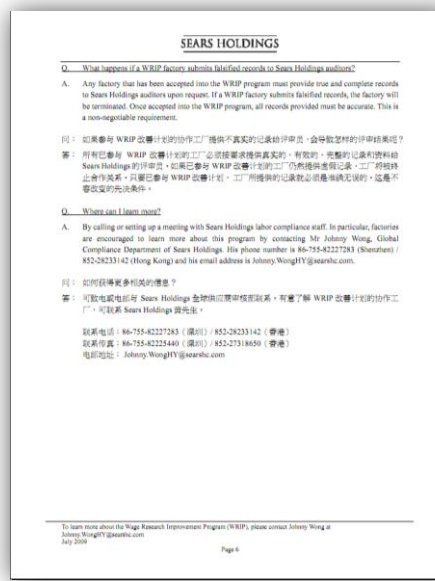
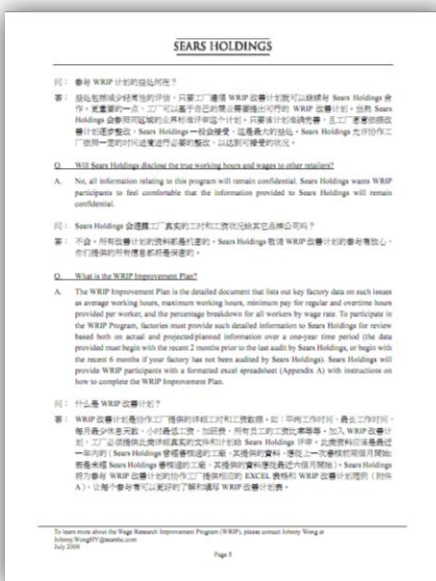
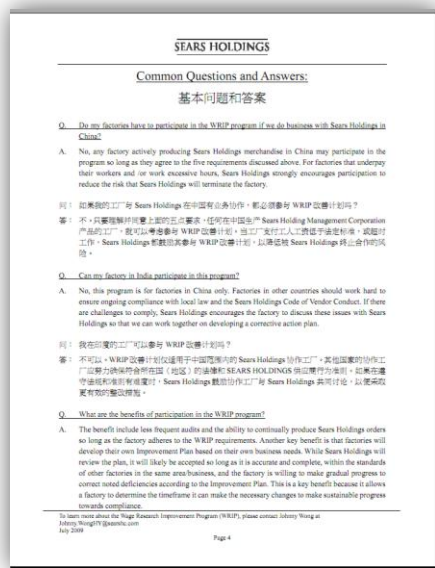
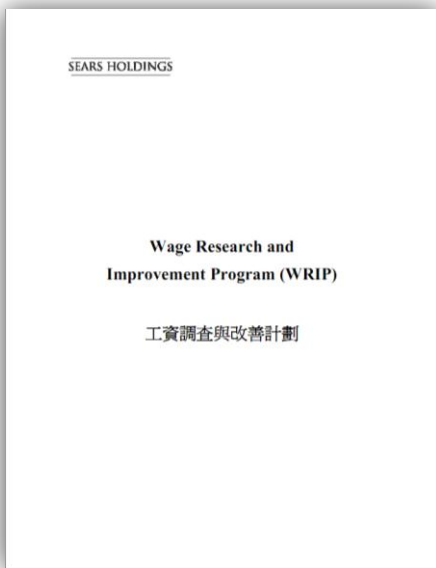
Over the years, Sears has issued various documents to its suppliers in China. In its document issued in 2009 on the program, Sears clearly states that many factories have falsified documents to hide real wage and hours situation, and by participating in WRIP, Sears will continue to buy from these factories as long as they provide real information of their illegal wage and excessive hours situation even though they cannot meet legal requirements.

Sears claims that it is a “continuous improvement” process. Indeed. In WRIP, factories are not required to pay minimum wages or overtime premiums. Instead, factories are required to pay a program participation fee to Sears and are required to report to every month its real wage situation. According to suppliers of Sears/Kmart in China, suppliers were required to increase their wage by RMB 0.1 every 3 months, which would accrue to a shamefully slow increase of only RMB 0.4 a year. There is therefore a target of improvement every year, although it is terribly little.

As stated in the standard document released by Sears/Kmart to its suppliers, the benefit of the program is that “factories will develop their own Improvement Plan based on their own business needs”. Business needs, not legal standards and not ethical standards.

Although WRIP, by the name of it, should increase wage level at factories, Sears/Kmart suppliers told us that they learned from Sears that after almost 9 years of launching the program, there are still hundreds of Sears/Kmart factories participating in WRIP in China and among them many have been in the program ever since 2004 or 2005. Even after so many years in the program, these factories still cannot even pay minimum wages, let alone legal overtime wages.

The shockingly slow progress fits it well with Sears as, while factories continue to exploit workers by not paying legal minimum and overtime wages, Sears can continue to buy from factories at very cheap prices. This program works very well for Sears and factories, and obviously neither Sears or its supplier factories cares about the fact that it never works for workers.



Q&A from Sears Wage Research and Improvement Program Standard Document
(color, italics and emphasis added by Asia Floor Wage)

Q: Do my factories have to participate in the WRIP program if we do business with

Sears Holdings Corporation in China?

A: No, any factory actively producing Sears Holdings Corporation merchandise in China may participate in the program so long as they agree to the five requirements discussed above. **For factories that falsify their records, underpay their workers and/or work excessive hours**, Sears Holdings Corporation strongly encourages participation to reduce the risk that Sears Holdings Corporation will terminate the factory.

Q: What are the benefits of participation in the WRIP program?

A: The **benefit includes less frequent audits and the ability to continually produce** Sears Holdings Corporation orders so long as the factory adheres to the WRIP requirements. Another key benefit is that factories will develop their own Improvement Plan based on their own business needs. While Sears Holdings Corporation will review the plan, it will likely be accepted so long as it is accurate and complete, within the standards of other factories in the same area/business, and the factory is willing to make gradual progress to correct noted deficiencies according to the Improvement Plan. This is a key benefit because it allows a factory to determine the timeframe it can make the necessary changes to make sustainable progress towards compliance.

Q: Will Sears Holdings Corporation disclose the true working hours and wages to

other retailers?

A: **No**, all information relating to this program will remain confidential. Sears Holdings

Corporation wants WRIP participants to feel comfortable that the information

provided to Sears Holdings Corporation will remain confidential.

Q: What is the, WRIP Improvement Plan?

A: The **WRIP Improvement Plan is the detailed document that lists out key factory data on such issues as average working hours, maximum working hours, minimum pay for regular and overtime hours provided per worker, and the percentage breakdown for all workers by wage rate**. To participate in the WRIP Program, factories must provide such detailed information to Sears Holdings Corporation for review based both on actual and Projected/planned information over a one-year time period (the data provided must begin with the recent 2 months prior to the last audit by Sears Holdings Corporation, or begin with the recent 6 months if your factory has not been audited by Sears Holdings Corporation). Sears Holdings Corporation will provide WRIP participants with a formatted excel spreadsheet (Appendix A) with instructions on how to complete the WRIP Improvement Plan.

In Sears WRIP standard document, Sears also provides an example of how factories should fill in the “continuous improvement” plan. The example shows that the legal hourly minimum wage in Dongguan in Guangdong province of China during 2009 April to 2010 March was RMB 4.43 for normal work hours, RMB 6.65 for overtime in normal work days, RMB 8.86 for overtime in rest days, and RMB 13.29 for overtime in statutory holidays. However, these figures are all for reference only. A factory can ignore the legal standards for minimum wage

and overtime wages, and choose to guarantee to Sears to pay workers a flat rate of RMB 2.89 in 2009 April (i.e. only 65% of the legal minimum wage, and only 21% of legal wage for overtime in statutory holidays) and gradually increase to RMB 3.6 in 2010 March (i.e. only 81% of the legal minimum wage, and only 27% of the legal wage for overtime in statutory holidays).

Factory Name 廠名: Dongguan ABC Factory 东莞ABC廠		Local Minimum Wage 本地法定最低工資 RMB 770 / RMB 4.43 per hour		IMPROVEMENT SCHEDULE 改善計劃表												WRIP Spreadsheet (blank form) WRIP改善計劃表 (供工廠填寫用)		
Subject 項目	Year 年	Month 月												Ultimate Mutual Goal under this Continuous Improvement program 持續改進目標	Annual Performance Review (factory does not need to fill out this column) 年度評審(工廠無須填寫此項目)			
		2009	2009	2009	2009	2009	2009	2009	2009	2010	2010	2010	2010					
(A) Working hours 工作時間	1. The maximum total working hours of a particular worker (or workers) in a month: 当月某工人在全月中工作了幾多總工作時間達到:	328	299	305													60 hours/week (non peak), 72 hours/week (peak) 60小時/每週(淡季), 72小時/每週(旺季)	
	2. The least total rest days enjoyed by a particular worker (or workers) in a month: 当月某工人在全月中享受最少休息天數是:	0	1	1													1 day rest a week (non peak), 2 days rest a month (peak) 每週休息1天(淡季), 每月休息2天(旺季)	
Remark 备注	The lowest actual hourly wage in the below Section B2 must be in a progressively increasing trend over the 12 months period.																	
(B) Minimum pay-hour 最低時薪	1. Local legal minimum hourly wage (current local law standard for reference only) 本地法定最低工資(按每月計算), 供參考用	4.43	4.43	4.43	4.43	4.43	4.43	4.43	4.43	4.43	4.43	4.43	4.43	4.43	4.43	4.43	4.43	
	2. The lowest hourly wage to workers guaranteed by factory (It is calculated by "Total monthly gross wage (before reasonable deduction) / Total monthly working hours" in a month) 本廠所保障支付工人的最低工資(按每月計算), 每月不應低於所保證的最低工資。(請按計算公式="應發總工資/總合理費用前"除以"總工時即正常工作時間+平時加班時間+週末加班時間+假期加班時間")	2.89	3.05	3.13	3.40	3.40	3.40	3.40	3.50	3.50	3.50	3.60	3.60	3.60	3.60	3.60	3.60	4.43
	3. The actual lowest hourly wage paid to workers in a month (factory needs to submit this actual paid wage figure of a month on or before every 30th of the next following month) 本工廠每月實際發給工人的工資最低金額是(按每月計算): (此一項目資料, 工廠必須在每月30號之前, 填寫上个月的實際發給工人的工資最低金額, 並按表格填寫)	2.89	3.05	3.13														4.43
Remark 备注	% of workers whose wage at or over the local minimum standard of RMB 4.43 /hour in the whole factory 工資(按每月計算)於或高於當地法定時薪 4.43 元/小時工人百分比	82.85%	87.00%	87.03%														100.00%
	% of workers whose wage within the hourly wage range of RMB 4.00 to 4.42 /hour in the whole factory. 工資(按每月計算)於 4.00 至 4.42 元/小時工人百分比	1.00%	1.30%	0.00%														0.00%
	% of workers whose wage within the hourly wage range of RMB 3.50 to 3.99 /hour in the whole factory. 工資(按每月計算)於 3.50 至 3.99 元/小時工人百分比	6.85%	3.60%	5.54%														0.00%
	% of workers whose wage within the hourly wage range of RMB 3.00 to 3.49 /hour in the whole factory. 工資(按每月計算)於 3.00 至 3.49 元/小時工人百分比	0.00%	6.27%	7.43%														0.00%
	% of workers whose wage within the hourly wage range of RMB 0 to 2.99 /hour in the whole factory. 工資(按每月計算)於 0 至 2.99 元/小時工人百分比	9.80%	1.83%	0.00%														0.00%
	Please breakdown the percentage of workers in the whole factory at different actual hourly wage ranges. 列出每月不同工資工人占全廠工人總數的百分比, 分別比例為四分之一, 本廠所保障的最低工資及法定最低工資的數額。																	
(C) Overtime pay-hour 加班時薪	*1. 5times (RMB/hour) 加班1.5倍時薪 Legal overtime hourly wage in normal workdays (current local law standard for reference only) 按每月計算, 供參考用	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65
	Actual overtime hourly wage paid by factory for working in normal workdays (Please refer to above section B2) 本廠所支付工人的正常工作日加班費的最低工資(按每月計算)(小時加班工資="應發總工資"除以"總加班時間即正常工作時間+平時加班時間+週末加班時間+假期加班時間"乘以應發總工資, 可以等於或高於法定最低部分)	2.89	3.05	3.13	3.40	3.40	3.40	3.40	3.50	3.50	3.50	3.60	3.60	3.60	3.60	3.60	3.60	6.65
	*2times (RMB/hour) 加班2倍時薪 Legal overtime hourly wage in rest days (current local law standard for reference only) 按每月計算, 供參考用	8.86	8.86	8.86	8.86	8.86	8.86	8.86	8.86	8.86	8.86	8.86	8.86	8.86	8.86	8.86	8.86	8.86
	Actual overtime hourly wage paid by factory for working in rest days (Please refer to above section B2) 本廠所支付工人的休息日加班費的最低工資(按每月計算)(小時加班工資="應發總工資"除以"總加班時間即正常工作時間+平時加班時間+週末加班時間+假期加班時間"乘以應發總工資, 可以等於或高於法定最低部分)	2.89	3.05	3.13	3.40	3.40	3.40	3.40	3.50	3.50	3.50	3.60	3.60	3.60	3.60	3.60	3.60	8.86
*3times (RMB/hour) 加班3倍時薪 Legal overtime hourly wage in statutory holidays (current local law standard for reference only) 按每月計算, 供參考用	13.29	13.29	13.29	13.29	13.29	13.29	13.29	13.29	13.29	13.29	13.29	13.29	13.29	13.29	13.29	13.29	13.29	
Actual overtime hourly wage paid by factory for working in statutory holidays (Please refer to above section B2) 本廠所支付工人的法定假日加班費的最低工資(按每月計算)(小時加班工資="應發總工資"除以"總加班時間即正常工作時間+平時加班時間+週末加班時間+假期加班時間"乘以應發總工資, 可以等於或高於法定最低部分)	2.89	3.05	3.13	3.40	3.40	3.40	3.40	3.50	3.50	3.50	3.60	3.60	3.60	3.60	3.60	3.60	13.29	
Date of submission 工廠遞交表格日期:	July 15, 2009		Job Title 職位:		Factory Manager (經理)												Personally signed by Factory Owner or at least Factory General Manager, with factory's official stamp on this WRIP plus 工廠生產總經理親自簽署并加蓋工廠正式印章	
Name of factory representative who completed this WRIP 工廠負責人:	Wen Zhi (文志)		Phone 電話:		(86) 769-12345678, mobile tel: (86) 13887654321													
Date of approval 審核日期 (由我可填寫):			Email: 電子郵件:		abcfactory@163.com													

INFACT, Level Works or ELEVATE - Profiteering from the Wage Theft Business

INFACT Global Partners was founded in 2007 and it gives advices to its clients on how to manage various social compliance issues and manages various "continuous improvement" programs for many brands and retailers. INFACT also holds various corporate social responsibility conferences and works with many companies include Apple, American Eagle, Levis, Ann Taylor, Target, Nordstrom, Philip van Hausen, JC Penny, Hasbro, Tesco, as well as multi-stakeholder and industry initiatives like Fair Labour Association (FLA), International Council of Toy Industries CARE Program (ICTI CARE), Sustainable Trade Initiative (IDH), Footwear Distributors and Retailers of America (FDRA) etc..

Level Works, on the other hand, provides consulting, auditing, training and continuous improvement monitoring services to various companies. It describes itself as a "forward thinking supply chain assessment and continuous improvement organization". Its Continuous Improvement and Engagement Monitoring (CIEM) shares the same philosophy with INFACT that, in order to get transparency from factories, brands and retailers must not insist that factories pay workers legal wages, and should allow a flexible timeframe of "continuous improvement". Level Works also work with many brands and retailers like BBC Worldwide, Primark, Sears, and multi-stakeholder and industry initiatives like Fair Labour Association (FLA), International Council of Toy Industries CARE Program (ICTI CARE), Electronic Industry Citizenship Coalition (EICC), Business Social Compliance Initiative (BSCI), etc..

In a presentation explaining their approach on capacity building and continuous improvement (attached in the appendix), INFACT explains its approach which composes of five modules: wage, working hours, social insurance, production and human resources.

In the elaboration of the wage module, INFACT advises factories to set up wage system and review the payment situation (minimum wage and average wage level), and to **“discuss with clients to work out one improvement plan on the minimum wage and average wage that can be achieved in a sustainable manner”**. Not only is minimum wage to be improved gradually “in a sustainable manner, there is also no mention of payment of overtime wages. “Comply with wage law” is also a goal with no timeframe. In a slide showing an improvement plan, after 12 months, the “continuous improvement” for minimum wages and average wages are still much lower than the legal wage level.

In the elaboration of the hours module, INFACT’s slide shows 4 years for factories to reach the targeted weekly hour level, and it is not clear if the target is compliant with the law.

Module 1 : Wages 模块一：工资

1. Set up effective and complete wage system
建立完整有效的薪酬系统
2. Review and analysis minimum wage and average wage level
检查分析员工最低工资和平均工资
3. Discuss with clients to work out one improvement plan on the minimum wage and average wage that can be achieved in a sustainable manner
与客户讨论制定一份针对最低工资和平均工资的改善计划
4. Change the wage structure/policy for those employees where there is a wage gap;
5. Develop corrective actions to make gradual progress according to plan and submit timely reports to clients.
采取措施按计划进行改善，并定期向客户提交改善进度报告

Improvement Actions: Working Hours 改善措施：工时

1. Set up effective and complete working hour monitoring system
建立完整有效的工时监控系统
2. Review and analysis maximum hours and average hours level
检查分析员工最高工时和平均工时
3. Discuss with clients to work out one improvement plan on the maximum working hours and average hours
与客户讨论制定一份针对最高工时和平均工时的改善计划
4. Develop corrective actions to make gradual progress according to plan and submit timely reports to clients.
采取措施按计划进行改善，并定期向客户提交改善进度报告

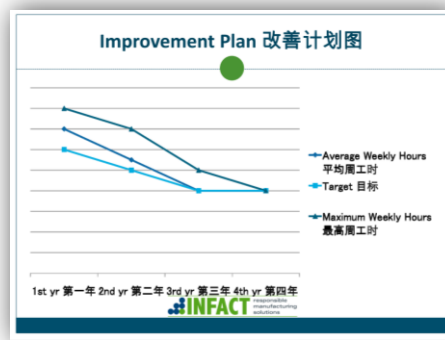
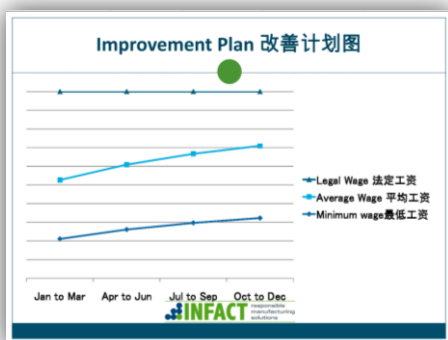
Improvement Actions : Wages 改善措施：工资

Improvement 改善

- Comply with wage law 遵守工资法规
- Continuous improvement, capacity building 持续改善，能力建设
- Communicate with client to achieve flexibility 与客户沟通达成共识
- Set up effective and complete wage system 建立准确完整薪酬系统

Improvement Actions : Working hours 改善措施：工时

- Time is money, 时间就是金钱.
- Comply with labor law 遵守工时法律法规
- Continuous improvement and capacity building 持续改善，能力建设
- Communicate with client to achieve flexibility 与客户沟通达成共识
- Control and reduce overtime 努力设法减少加班
- Set up work hour monitoring system 建立工时监控系统



Level Works also has a similar presentation to sell their “Continuous Improvement and Engagement Monitoring” (CIEM). Same as INFACT, Level Works’ tactic is also to stress how common it is for factories in China to falsify records and it can be 90% in some compliance programs. It also stress that it is unrealistic to expect factories to pay legal minimum wage to all workers immediately and to pay legal overtime wages. Level Works then goes on to suggests that brands and retailers should work with transparent factories “regardless of wage/hours issues” and to build better trust relationship with these factories and, despite the fact that they do not pay legal wages, can still reward them with more orders. Level Works states that its CIEM approach “creates a comfort zone for factories to provide their actual records” and it “allows vendor/factory to own their improvement schedule”. Again factories are required to provide data of their real wage and working hours conditions to their clients for tracking, and Level Works would be the one to monitor this continuous improvement process. Level Works says it is a methodology proven with over 300 factories. The scale of Level Works instigation for brands and retailers to buy from sub-standard factories is appalling. The amount of workers who have suffered and have been exploited under its CIEM program with their legal entitlements taken away from them in the name of “improvement” can be enormous.

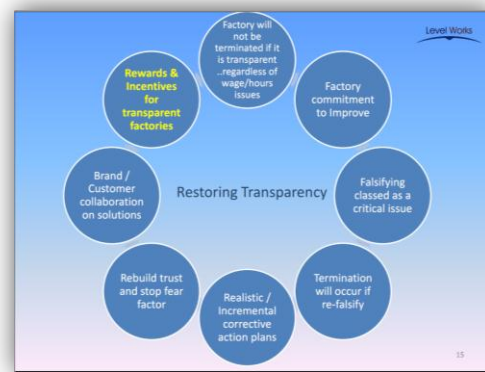
What Are The Drivers of Falsification ?

Different approach to remediation by customers e.g Immediate, 30 days / 180 days

Unrealistic Expectations

Non-Compliance Finding	Necessary Corrective Action	Expected Time Frame
Minimum wage not being to all workers	Pay all workers minimum	Immediately
Work hours in excess of legal limits	Meet legal work hours	30 days
OT Premiums not paid	Pay OT rates	30 days

Different approach by customers on termination / penalisation



What's The Benefit of Using Transparent Factories?

- Better trust / relationship with factories
- Less audits per year (cost saving)
- Reduced Brand Risk / Improved Reputation
- No more awkward meetings with Customers
- Reduced risk of termination due to using honest factories
- More orders for factories

Continuous Improvement & Engagement Monitoring (CIEM)

- Methodology developed specifically to combat the rampant use of record falsification and drive measurable improvement
- Methodology proven with over 300 factories
- Creates a comfort zone for factories to provide their actual records
- Allows vendor/factory to own their improvement schedule
- Supports factory managements attempts to improve
- Allows client partners to track real wage and work hour conditions
- Allows client partners to show actual improvement
- Eight days over 12-18 month period

Instead of advising brands and retailers to play fair and respect workers’ basic rights by reviewing their own buying practices and requiring their supplier factories to pay legal wages, INFACT and Level Works goad their clients to pay them consultancy and program management fees to monitor “continuous improvement”. While workers lose their legal wages, INFACT and Level Works make profit from this wage theft business, factories can continue to underpay workers and still get orders from its clients, and brands and retailers also continue to benefit from the low prices these substandard factories can offer them.

Recently, in early April this year, INFACT and Level Works announced a merger to form a new company called ELEVATE Global Limited. With these two companies joining together, ELEVATE claims it works with over 100 major brands and retailers in 25 countries.

The merger could be a good news for unscrupulous and exploitative companies but definitely not for workers.

Brands and retailers which work with Level Works, INFACT or ELEVATE can benefit from their professional advice of how best to steal wages from workers and at the same time can even make it a PR program by naming it “continuous improvement” in company websites and annual reports – only missing the core reality that workers are not paid legal minimum or legal overtime wages in these continuous improvement programs.

Shame on all brands and retailers which work with INFACT or Level Works (or now ELEVATE) to continuously exploit workers in China.

Concluding Remarks

It is a basic responsibility of any brands or retailers to ensure that workers in their supplier chains are paid living wages, which should be on top of the current legal minimum and overtime wage standards.

It is a huge shame for any company like H&M, Primark and Sears to establish practices to systematically and deliberately exploit workers in China.

It is an even bigger shame for any company to work with unscrupulous consultancies like INFACT, Level Works or ELEVATE to take their advice on how best to feign continuous exploitation as continuous improvement.

To reiterate, we demand H&M, Primark and Sears, as well as all brands and retailers, to immediately

- be transparent about their exploitative approaches, and publicize the list of factories they are working with not paying legal minimum or overtime wages
- stop stealing wages from workers in China or other countries and back pay all the stolen wages to workers
- terminate working relationship with unscrupulous consultancies like Level Works, INFACT, or Elevate, or any similar consultancies, who profit from instigating companies to steal wages from workers